



Panel Discussion

Is there a need to develop new rules of the game at the global level to compensate development countries for brain-drain?

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Issues for the debate

Cross border movements of people and their contribution to innovation and development is not a new phenomenon in human history. Such movements have shown to be instrumental not only in the development of a host of industries in countries like the US and Japan but in industrial revolution in general. What appears to be new is the unprecedented growth in skilled migration and associated brain drain in the wake of recent globalization that led to the dismantling of barriers to mobility of capital and skilled manpower, while preserving the restrictions on unskilled in tact if not more tight. True, such movements are also facilitated by the advancements in travel, transport, information and communication technologies. At the same time, we are endowed with a wealth of empirical evidence on the impact of immigration on both the sending and receiving countries. The impact is shown to vary depending on the nature of countries involved as well as the character of migration. Viewed thus, migration between two developed countries is likely to have different impact as compared to that between a developed and developing country. Equally, immigration of the skilled is bound to have different impact as compared to the unskilled. No wonder, with reduced information asymmetry, thanks to growing literature on the issue, the developing countries are more aware today than ever before on the adverse impact of skilled migration and that a case has been made for compensating the developing by the developed as any check on skilled mobility is incompatible with a civilized society. An informed answer to this issue, necessarily, should be supported by theoretically informed empirical analysis of different dimensions of the issue at hand rather than being driven by casual observation and common sense. Instead of offering a “dichotomous” answer, let me raise some further issues

To what extent the developed countries have benefited from skilled migration? In case of USA it is shown that by 2003, 13.1 percent of the US population has been foreign-born, 14.4 of the adult workforce are foreign born and among the highly skilled young workers (with Ph.D. degrees and working in science and engineering), the percentage is as high as 52.0 percent. This is not a new trend; between 1962 and 1966 more than 45 per cent of engineers and natural scientists accepted by the US as immigrants were from India and China. From the Indian side, evidence indicates that 68 per cent of the out turn from the prestigious (Indian Institute of Technologies) IITs of India migrated to the US. For many a developing countries, their diasporas, trained domestically but live abroad are large

enough to salvage these countries from their present state of abject poverty, illiteracy and ill health. To a great extent, the vibrancy of the US innovation system owes a great deal to the skilled workers generated by the developing countries like China, India and others using their public funds that could have been utilized for the direct attack of poverty, illiteracy or ill health. Let us not jump into a conclusion. Instead, let us ask a related question; has the immigration of the skilled led a “crowding out” of the US/developed country personnel? If the answer is in the affirmative, policy prescriptions become more difficult than expected.

True, there is some merit in the view that the brain drain depicts a situation wherein the developed countries “harvest without sowing” and thus highlights an exploitative dimension of the innovation system in the North. Nonetheless, one cannot afford to overlook the positive signaling effect of skilled migration that in turn has induced FDI inflows to the south, especially in a context wherein MNC’s location decisions are driven by the availability of complementary skill sets. The role of diaphora in India’s emergence as major player in the export of IT software and services is well documented. What is more in a context of growing incidence of return migration, for example in India and China, one is inclined to take a long term perspective which might lead to different conclusions.

Evidence also indicates that the brain drain has a bearing on the innovation and development process in the South by halting the emergence of a vibrant innovation system. Migration however, also leads to substantial inflow of remittances which in turn has been a major force behind the external sector vibrancy and built of foreign exchange reserves in countries like India – that ranks first in the list of countries receiving remittances. Yet analysts cannot afford to ignore the adverse effect of such remittances has bought in on account of the “spending effect” and “resource movement effect” – *ala* Dutch disease.

Today, many of the developing countries have emerged as attractive locations for out sourcing of service activities. More importantly driven the availability of skilled manpower, many of the leading MNCs have located their R&D centres in the South. Researchers have an inclination to depict the new trends as brain drain of the new Century. While, there is a great deal of truth, one cannot afford to ignore the spillover benefits that they bring along. Hence a definite conclusion is not warranted for want of detailed analysis of both dimensions

To sum up, with out any claim for being exhaustive, the brain drain is here to stay, *inter alia* on account of technological, demographic and other factors. The villain of the story appears to be not brain drain per se but our knowledge deficit on the issue. Even on the issue of compensation for the South, we need to deliberate on, among others, the form and content of such compensation and the institutional arrangements for the same. Can it take the form of brain gaining? Or brain training? Or any other form? What kind of an innovation system is needed in the North as well as in the south such that we have a new world order that doesn’t involve free riding and exploitation? The road ahead to a definite policy appears too rocky on account of too many unexplored issues but the destination cannot be far away.